

7 Principles of Investing in a Volatile Market

In volatile markets, it's common to feel uneasy about your investments.

This is only natural. But rest assured, market volatility is completely normal and is to be expected. In fact, the current market conditions may actually work to your advantage.

1. Clarify your investment strategy.

Living with market volatility is a lot easier when you have a firm investment strategy in place. To create your strategy, you'll need to understand several key factors, including:

- Your time horizon
- Your goals
- Your tolerance for risk

Your time horizon is determined by counting the number of years left until you plan to retire. Your primary goal is to accumulate enough savings to create the income you need in retirement. Your tolerance for risk reflects your broader financial situation—your savings, your income, your debt—and how you feel about it all. Looking at the whole picture will help clarify if your strategy should be aggressive, conservative, or somewhere in between.

2. Match investments to your comfort level.

As a legendary mutual fund manager once put it, "The key to stock investing isn't the brain. It's the stomach." Never is this statement more true than in a volatile marketplace. Even if your time horizon is long enough to warrant an aggressive growth portfolio, you need to make sure you're comfortable with the short-term ups and downs you'll encounter. If watching your plan balance fluctuate is too nerve-racking for you, think about a portfolio that feels right and set realistic expectations.

ACTION PLAN

- Develop and maintain a long-term investment strategy, or
- Take a hands-off approach and invest in a lifecycle fund.

3. Diversify, diversify, diversify.

One way to help protect yourself from market downturns is to own various types of investments. First, consider spreading your investments across the three asset classes—stocks, bonds, and short-term investments. Then, to help offset risk even more, diversify the investments within each asset class. Keep in mind, however, that diversification doesn't ensure a profit or guarantee against loss.

4. Invest for the long term.

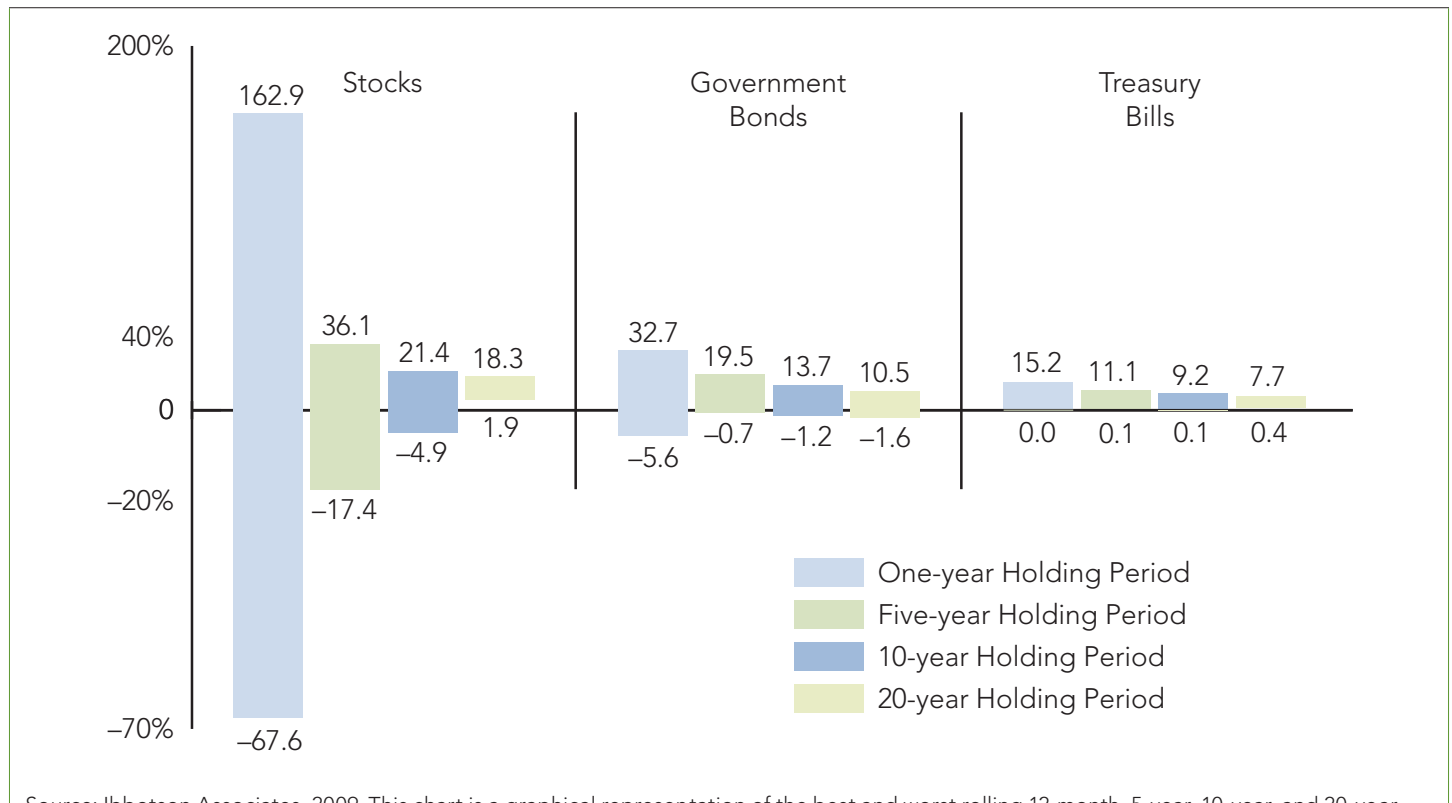
To help calm the jitters caused by short-term fluctuations, it's best to focus on long-term trends and your long-term goals. Volatility isn't necessarily a bad thing. As the chart on the next page shows, dramatic short-term changes in value can be positive or negative. And historically, time has reduced the risk of holding a diversified stock portfolio.

Turn here®



The market is much calmer in the long run.

This chart shows the span between the largest average 1-year, 5-year, 10-year, and 20-year gains and losses among three key market indexes for the period 1926–2009. As you can see, short-term holdings (especially in stocks) are extremely volatile. Historically, a long-term approach has provided a much smoother ride.



Source: Ibbotson Associates, 2009. This chart is a graphical representation of the best and worst rolling 12-month, 5-year, 10-year, and 20-year periods for the S&P 500® Index, U.S. Intermediate Government Bond Index, and U.S. 30-day Treasury bills for the period 1926–2009.

Past performance is no guarantee of future results. The asset class (index) returns reflect the reinvestment of dividends and other earnings. This chart is for illustrative purposes only and does not represent actual or future performance of any investment option. It is not possible to invest directly in a market index.

Stocks are represented by the Standard and Poor's 500 Index (S&P 500® Index). The S&P 500® Index is a registered service mark of The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is an unmanaged index of the common stock prices of 500 widely held U.S. stocks that includes the reinvestment of dividends.

Bonds are represented by the U.S. Intermediate Government Bond Index, which is an unmanaged index that includes the reinvestment of interest income.

Short-term instruments are represented by U.S. Treasury bills, which are backed by the full faith and credit of the U.S. government.

Inflation is represented by the Consumer Price Index, which monitors the cost of living in the United States.

Stock prices are more volatile than those of other securities. Government bonds and corporate bonds have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. U.S. Treasury bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate.

5. Don't try to time the market.

No one can consistently predict the market, not even the experts. Yet many investors think they can guess what will happen, based on hunches or rumors. Unless you know precisely when to buy or sell, you can, and probably will, miss the market. This can really cost you. Most of the market's gains occur in just a few strong, but unpredictable, trading days here and there. To benefit from the market's long-term performance, you need to be in the market on those days. This means you have to invest for the long run and stick with it throughout the market's ups and downs.

6. Do well "on average."

By investing regularly over months, years, and decades, you can actually benefit from a volatile market. Through a time-proven investment technique called dollar cost averaging, you simply put a set amount in each of your plan investments every pay period, regardless of how the market's doing. Over the years, your money buys more units of each investment option when prices are low, and fewer when prices are high. As a result, the average price per share of your investments may be lower than if you invested all your money at once. (See the table to the right.) More importantly, you avoid the temptation of trying to time the market.

7. Consider a hands-off approach.

To help ease the pressure of managing investments in a volatile market, some investors prefer to take a "hands-off" approach by utilizing lifecycle funds. Lifecycle funds offer management assistance by providing investments that represent various asset classes and investment styles in a single fund based on a single date. The investments are then rebalanced on an ongoing basis to become more conservative as the fund approaches its target date and beyond. The diversification and asset allocation of lifecycle funds can help reduce volatility and risk, although they can't ensure a profit or guarantee against loss.

HERE'S HELP

Right now is the perfect time to evaluate how you're invested. For the information, tools, and support you need to create and manage your investment strategy:

- Visit Fidelity NetBenefits®
- Call your plan's toll-free number

In markets like these, Fidelity can help.

Volatile markets can make you wonder if you're on track to meet your investment goals. Now it's time to put that uncertainty to rest.

Fidelity has helped clients through all types of markets for more than 60 years. Let us put that experience to work for you and provide you with the guidance you need.

Interested in a more hands-off approach?

If you're interested in investing in a single yet diversified fund strategy—call your plan's toll-free number today.

Dollar cost averaging

Investing a fixed amount at regular intervals is one way to deal with the inevitable dips and gains in the stock market. As this table shows, dollar cost averaging can result in a better average share price than trying to time your purchase. For more on this strategy, see Principle #6.

	Share price	Investment	Shares Purchased
January	\$10	\$100	10
February	\$7	\$100	14.3
March	\$6	\$100	16.7
April	\$8	\$100	12.5
May	\$9	\$100	11.1
Total	\$8 average	\$500	64.6

Dollar cost averaging does not ensure a profit or guarantee against loss in declining markets. For the strategy to be effective, you must continue to purchase shares both in market ups and market downs.



Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges, and expenses. For this and other information, call or write Fidelity for a free prospectus or, if available, a summary prospectus. Read it carefully before you invest.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.

It is your responsibility to select and monitor your investments to make sure they continue to reflect your financial situation, risk tolerance, and time horizon. Most investment professionals suggest that you reexamine your investment strategy at least annually or when your situation changes. In addition, you may want to consult an investment advisor regarding your specific situation.

Lifecycle funds are designed for investors expecting to retire around the year indicated in each fund's name. The fund's asset allocation strategy becomes increasingly conservative as it approaches the target date and beyond. The investment risk of each lifecycle fund changes over time as its asset allocation changes. The funds are subject to the volatility of the financial markets, including that of equity and fixed income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small-cap, commodity-related, and foreign securities. Principal invested is not guaranteed at any time, including at or after the funds' target dates.

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